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DE RUEHMN #0104 0511556
ZNR UUUUU ZZH
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FM AMEMBASSY MONTEVIDEO
TO RUEHC/SECSTATE WASHDC 8827
INFO RUCNMER/MERCOSUR COLLECTIVE

UNCLAS MONTEVIDEO 000104

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STATE FOR WHA/BSC MDASCHBACH, WHA/EPSC FCORNEILLE, EMBASSY
BRASILIA FOR ABRAGHETTA

E.O. 12958: N/A

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SUBJECT: URUGUAY PROPOSES NEXT STEPS FOR ALTERNATIVE ENERGY
MOU

11. SUMMARY. Emboffs discussed the current state of Uruguay's energy sector and potential next steps within the framework of the U.S.-Uruguay alternative energy MOU in a meeting with the Uruguayan National Directorate of Energy and Nuclear Technology (DNENT) February 18. Uruguay seeks to reduce its dependence on foreign energy and sees the U.S. as a valuable partner to advance technology on renewable energy and energy efficiency. End Summary.

Uruguay's Energy Sector

12. Uruguay is committed to increasing the diversification of its energy sector. It passed a law in November 2007 to create and regulate the production, commercialization, and utilization of biofuels, and a presidential decree implementing this law was published in October 2008. The majority of Uruguay's energy needs have traditionally been met by the importation of fossil fuels and domestic large-scale hydroelectric power plants. Recently, however, external factors, such as limited rainfall in recent years, have increased reliance on fossil fuels over hydroelectric power. For the year 2009, Uruguay's state oil company ANCAP is on target to meet a legislatively mandated 2 percent minimum production of bio-diesel/gasoline blends, rising to 5 percent by 2012. In addition, the state utility company UTE has issued tenders for up to 60MW in alternative energy projects such as wind, biomass, and small-scale hydroelectric power plants. Two groundbreaking companies in the field of biomass production in Uruguay are Weyerhaeuser and ALUR (a subsidiary of ANCAP).

13. The driving force behind the diversification of Uruguay's energy sector is a desire for energy security and independence. Currently, most electrical energy imported to Uruguay must pass through Argentina; if another country (such as Brazil) supplies the current, Uruguay must pay not only the source but also a "toll fee" to Argentina for the use of its grid. Construction of an electrical grid inter-connection with a capacity of 500MW between Uruguay and Brazil is under consideration. The U.S. Trade and Development Agency (TDA) funded a study of this project. The potential to expand wind energy production in Uruguay remains great. Two projects (a private windfarm in Rocha and a government-owned one in Maldonado) are in operation, with several more under study for future development.

Next Steps Within the MOU Framework

14. Emboffs and DNENT officials agreed to develop plans of action to implement the MOU's provisions to (1) promote exchanges, research and development and (2) establish a binational working group on renewable energy and energy

efficiency. DNENT stressed GOU support of public-private cooperation and investment in the development of the biomass sector. An OPIC-partnered project on biofuels may be a possibility. Another area identified for future collaboration is technical assistance and policy development on integration of privately generated power into the national power grid. Currently, the government-owned electric company has neither the hardware in place to allow this nor the regulations to govern it were it possible.

Comment

15. The GOU remains enthusiastic on the topic of energy diversification, and is especially keen to develop further bilateral cooperation on energy issues. Post will continue to work closely with DNENT and other GOU energy agencies to deepen our relations in this area. Post will explore with Washington agencies possibilities for science fellows, academic exchanges, and technical assistance in this area.
End Comment.
Matthewman